

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00  
EB-08 EA-10 FRB-03 INR-10 NEA-10 NSAE-00 ICA-11  
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OMB-01 SS-15 STR-07 PA-01 /118 W  
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R 161706Z AUG 78  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 9187  
INFO ALL EC CAPITALS  
AMEMBASSY PARIS  
USMISSION GENEVA

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OECD

USMTN

E.O. 11652: N/A  
TAGS: ETRD, EIND, UK  
SUBJECT: NEW FORM OF TRADE PROTECTIONISM  
  
REF: LONDON 7853

1. THE UK GOVERNMENT HAS JUST ANNOUNCED A DECISION TO  
REDUCE THE "EXCESS" PROFITS OF SHOE RETAILERS IN BRITAIN,  
BUT ONE FEATURE OF THE POLICY WILL HAVE THE EFFECT OF  
PROTECTING THE DOMESTIC INDUSTRY FROM SOME FOREIGN COM-  
PETITION.

2. USING HIS POWERS UNDER 1977 PRICE COMMISSION  
ACT, PRICE SECRETARY ROY HATTERSLEY ANNOUNCED ON  
AUGUST 15 THAT SHOE RETAILERS HAVE UNTIL THE END OF  
THE MONTH TO CHOOSE BETWEEN CUTTING THEIR GROSS  
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PROFIT MARGINS AT LEAST 2 PERCENT BELOW 1977 LEVELS  
OR UNDERTAKING A "GOOD BEHAVIOR PLEDGE." SEVERAL  
THINGS ARE ASKED OF THE FOOTWEAR SELLERS, BUT A  
CENTRAL FEATURE IS A PROMISE TO INCREASE SALES OF  
BRITISH MADE SHOES. THE INTENT IS CLEARLY TO REDUCE  
SHOE IMPORTS WHICH NOW TAKE APPROXIMATELY 44 PERCENT  
OF THE DOMESTIC MARKET.

3. THE NEW GOVERNMENT DECISION MAY NOT BE A DIRECT RESULT OF THE PRIME MINISTER'S "BUY BRITISH" POLICY DISCUSSED REFTTEL, BUT IT DOES REFLECT THE GOVERNMENT'S PRESENT INDUSTRIAL STRATEGY. IT WILL ALMOST CERTAINLY GIVE SOME DEGREE OF RELIEF TO BRITAIN'S SHOE MANUFACTURERS.

4. THE INITIAL REACTION OF MANY FOOTWEAR RETAILERS HAS BEEN TO OPT FOR RETAINING THEIR PROFIT LEVELS AND AGREEING TO SELL MORE BRITISH SHOES. THE MAJORITY OF RETAILERS IS EXPECTED TO UNDERTAKE THE GOOD BEHAVIOR PLEDGE.

5. IT WILL BE SOME TIME BEFORE AN ASSESSMENT CAN BE MADE ON HOW MUCH THIS NEW POLICY WILL REDUCE IMPORTS. HOWEVER, IT DOES REPRESENT YET ANOTHER MODEST GOVERNMENT MOVE TOWARD GREATER PROTECTION FOR BRITISH INDUSTRY.

BREWSTER

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## Message Attributes

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